

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 47 – HB 23

February 20, 2013

SUMMARY OF ORIGINAL BILL: Authorizes any municipality located in a tourist resort county to levy and impose the following taxes to the same extent other municipalities in the county have imposed such taxes by private act: a privilege tax not to exceed two percent of the consideration charged by restaurants, cafes, cafeterias, caterers and other similar establishments, and a privilege tax not to exceed three percent upon the privilege of a consumer paying consideration for admission into or for an amusement within the corporate limits of the municipality levying the tax. Requires such tax to be imposed upon the adoption of an ordinance by a two-thirds vote of the municipal governing body.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Revenue – \$6,091,900/Permissive

SUMMARY OF AMENDMENT (003543): Adds clarifying language specifying that a municipality eligible to levy and impose the proposed taxes must be located in a tourist resort county that also has two premiere type tourist resort municipalities within such tourist resort county. Requires 75 percent of the proceeds collected from any tax imposed pursuant to this section to be used for tourism promotion, tourism infrastructure, and tourism advertising.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Sevier County meets the definition of a tourist resort county with two premiere type tourist resort municipalities.
- The bill further limits the proposed taxing authority to municipalities within a tourist resort county that has other municipalities that impose a similar tax authorized by private act. The City of Gatlinburg currently levies a 2.0 percent amusement tax and a 1.5 percent restaurant tax.
- The provisions of this bill as amended will effectively authorize Sevierville and Pigeon Forge to levy the proposed taxes.

- Pigeon Forge currently levies a two percent amusement tax.
- Sevierville does not impose either tax.
- According to the Department of Revenue, state sales tax collections from Sevierville restaurants and other eating places were \$9,427,658 in FY11-12; state sales tax collections from Sevierville amusement and recreation services were \$1,001,727 in FY11-12; state sales tax collections from Pigeon Forge restaurants and other eating places were \$10,391,450 in FY11-12.
- Pursuant to Tenn. Code Ann. § 67-6-228(b), the state sales tax rate on prepared food is seven percent.
- Pursuant to Tenn. Code Ann. § 67-6-212, the state sales tax rate on amusement and recreation services is seven percent.
- Sevierville restaurant taxable sales are estimated to be \$134,680,829 (\$9,427,658 / 7.0%). Sevierville amusement taxable sales are estimated to be \$14,310,386 (\$1,001,727 / 7.0%). Pigeon Forge restaurant taxable sales are estimated to be \$148,449,286 (\$10,391,450 / 7.0%). These estimates are assumed to remain constant into perpetuity.
- Sevierville will elect to impose a two percent restaurant tax and a three percent amusement tax. Pigeon Forge will elect to impose a two percent restaurant tax.
- The recurring permissive increase in local government revenue is estimated to be \$6,091,914 [(\$134,680,829 x 2.0%) + (\$14,310,386 x 3.0%) + (\$148,449,286 x 2.0%)].
- Seventy five percent of such recurring increase, or \$4,568,935 (\$6,091,914 x 75.0%), will be used for tourism promotion, tourism infrastructure, and tourism advertising.
- Any increase in expenditures to local governments to enforce and administer the newly authorized taxes is estimated to be not significant and can be accommodated within existing resources of the affected municipalities.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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